

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 5/6/2014	(3) CONTACT/PHONE Jim Erb 781-5831	
(4) SUBJECT Request to approve an agreement for the advanced payment of the County's FY 2014-15 employer retirement and employer paid portion of employee normal retirement contributions to the Pension Trust for a savings of \$1.3 million. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board approve the attached Agreement for Advanced Payment of County Appropriation to the Pension Trust.			
(6) FUNDING SOURCE(S) Various reserves and designations	(7) CURRENT YEAR FINANCIAL IMPACT \$1,377,137 for FY 2014-15	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: James Erb, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 5/6/2014

SUBJECT: Request to approve an agreement for the advanced payment of the County's FY 2014-15 employer retirement and employer paid portion of employee normal retirement contributions to the Pension Trust for a savings of \$1.3 million. (All Districts)

RECOMMENDATION

It is recommended that the Board approve the attached Agreement for Advanced Payment of County Appropriation to the Pension Trust.

DISCUSSION

Current provisions of the County's Retirement Plan permit the County to prepay its obligation to Pension Trust on an annual basis. The agreement would be effective for fiscal year 2014-15 and will require separate approval for each year beyond June 30, 2015. The advance payment of the Annual Required Contribution (ARC) will reduce the County's 2014-15 pension obligation by approximately \$1,377,137.

The attached Agreement for Advanced Payment of County Appropriations to the Pension Trust was approved by the Pension Trust Board on April 28, 2014. The plan actuary has calculated the amounts due from the County based on current payroll information which was obtained from the Auditor-Controller-Treasurer-Tax Collector. For the coming year the County appropriation due in advance is \$30,966,589 and the Employer-Paid portion of Employee Normal Contributions is \$12,350,677 for a total of \$43,317,266. The payment will be made on July 9, 2014 and will cover the period July 1, 2014 to June 30, 2015.

The County will earn 3.18% ($1,377,137 / 43,317,266 = 3.18\%$) on the advance payment versus earning a much lower rate in the Treasury pool. At the quarter ending March 31, 2014, the Treasury Pool earned a net of .23%. We benchmark our Treasury Pool performance to the State Local Agency Investment Fund (LAIF). During the same time period LAIF also earned .23%. Assuming the Treasury Pool stayed relatively consistent for the year we would earn approximately \$100,000 versus \$1,377,137 by funding the Advanced Payment.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed the Pension Trust Prefunding Agreement. In addition the Pension Trust Board of Trustees has approved the advance payment agreement.

FINANCIAL CONSIDERATIONS

Advancing the County's annual pension obligation will reduce the Annual Required Contribution by approximately \$1,377,137 for fiscal year 2014-15. The advance payment will be funded with various reserves and designations within the Auditor-Controller's authority.

RESULTS

The County will save \$1,377,137 on the annual pension obligation which can be used for other programs.

ATTACHMENTS

1. Agreement for Prefunding County Contributions